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IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

CASE NO. 17-13797

TULARE LOCAL HEALTHCARE
DISTRICT, dba TULARE REGIONAL
MEDICAL CENTER,

Chapter 9

DC No.: WJH-4

Debtor.

Date: Not set

Time: Not set

Tax ID #: 94-6002897

Place: 2500 Tulare Street

Address: 869 N. Cherry Street
Tulare, CA 93274

Fresno, CA 93721

Courtroom 13

Judge: Honorable René Lastreto II

**DEBTOR'S OBJECTION TO PROOF OF CLAIM NUMBER 197
IN AN UNSPECIFIED AMOUNT FILED BY THE DEPARTMENT OF
HEALTH CARE SERVICES ON APRIL 6, 2018**

TO THE HONORABLE RENÉ LASTRETO II, UNITED STATES BANKRUPTCY
JUDGE, THE DEPARTMENT OF HEALTH CARE SERVICES, AND TO ALL OTHER
PARTIES IN INTEREST:

Pursuant to 11 U.S.C. § 502 and Rule 3007 of the Federal Rules of Bankruptcy
Procedure, the Tulare Local Healthcare District dba Tulare Regional Medical Center
(the "Debtor" or "District") objects to Proof of Claim Number 197 filed by the
Department of Health Care Services on the grounds set forth below.

JURISDICTION AND VENUE

This Court has jurisdiction to consider and determine this objection pursuant to 28 U.S.C. § 1334. This is a core proceeding under 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND FACTS

On September 30, 2017, the District filed a petition for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code") commencing Case No. 17-13797 (the "Bankruptcy Case"). Dkt. No. 1. On January 26, 2018, this Court entered the Order for Relief. Dkt. 379. On January 25, 2018, the Court approved the District's Application for an order fixing the bar date for filing proofs of claim. Dkt. 366. On January 31, 2018, the District filed its proof of service of the Notice of Claims Bar Date and the "Order Fixing Bar Date for Filing Proofs of Claim" ("Bar Date Order"). Dkts. 371, 377 and 391. The Bar Date Order provided that the Claims Bar Date was April 10, 2018.

On April 6, 2018, the California Department of Health Care Services ("DHCS") filed Proof of Claim 197 in an unspecified amount (the "Claim"). DHCS asserts that the Claim is for an overpayment of supplemental reimbursement funds under the Supplemental Reimbursement for Public Outpatient Hospital Services ("SRPOHS") for the State of California fiscal years from 2002-2003 through the date that the District filed its chapter 9 case. The Claim indicates that DHCS, as the Medicaid State Agency, administers the SRPOHS program because it is a Medi-Cal supplemental reimbursement program for the outpatient department of general acute care hospitals operated by a healthcare district that provides outpatient hospital services to Medi-Cal beneficiaries. The District's hospital, the Tulare Regional Medical Center, was a hospital eligible for SRPOHS funds during the relevant time period. A copy of Proof of Claim Number 197 is attached as Exhibit A to the Declaration of Daniel Heckathorne.

The District objects to the Claim on the grounds that the DHCS has not specified any amount of alleged overpayments due to DHCS on account of any SRPOHS

1 payments received by the District, and as part of the District's ordinary course of
2 operations, it would have been the District's practice to provide the information required
3 under the Supplemental Reimbursement for Public Outpatient Hospital Services
4 program for the fiscal years from 2002-2003 through the date that the District filed its
5 chapter 9 petition on September 30, 2017. Declaration of Daniel Heckathorne at ¶ 3.

6 RELIEF REQUESTED

7 By this Objection, the District requests entry of an order, pursuant to 11 U.S.C. §
8 502 of the Bankruptcy Code and Rule 3007 of the Federal Rules of Bankruptcy
9 Procedure, that provides the following relief: (a) sustains the Objection; (b) disallows the
10 Claim in its entirety; and (c) grants such other and further relief as this Court deems just
11 and proper. No previous request for the relief sought herein has been made by the
12 District to this or any other court.

13 BASIS FOR RELIEF

14 A. The Legal Standard

15 Section 502(a) of the Bankruptcy Code provides that "[a] claim or interest, proof
16 of which is filed under section 501 of this title, is deemed allowed, unless a party in
17 interest ... objects." 11 U.S.C. § 502(a). Bankruptcy Code § 502(b)(1) states that if an
18 "objection to a claim is made, the court, after notice and a hearing, shall determine the
19 amount of such claim in lawful currency of the United States as of the date of the filing
20 of the petition, and shall allow such claim in such amount, except to the extent that ...
21 such claim is unenforceable against the debtor ... under any agreement or applicable
22 law." 11 U.S.C. § 502(b)(1). Bankruptcy Rule 3007, which governs the procedure for
23 objections to claims, provides that "[a]n objection to an allowance of a claim shall be in
24 writing and filed.

25 B. Burden of Proof

26 All allegations set forth in a properly filed proof of claim are taken as true and, if
27 the allegations set forth all facts necessary to establish a claim and are not self-
28 contradictory, the proof constitutes *prima facie* evidence of the validity and amount of

1 the claim. 11 U.S.C. § 502(a); Fed. R. Bankr. P. 3001(f). However, once the objector
2 raises "facts tending to defeat the claim by probative force equal to that of the
3 allegations of the proofs of claim themselves," *Wright v. Holm (In re Holm)*, 931 F.2d
4 620, 623 (9th Cir. 1991), then "the burden reverts to the claimant to prove the validity of
5 the claim by a preponderance of the evidence." *Ashford v. Consolidated Pioneer*
6 *Mortgage (In re Consolidated Pioneer Mortgage)*, 178 B.R. 222, 226 (B.A.P. 9th Cir.
7 1995), *aff'd*, 91 F.3d 151 (9th Cir. 1996). "[T]he ultimate burden of persuasion is always
8 on the claimant." *Holm*, 931 F.2d at 623. In considering an objection to a claim, a
9 bankruptcy court may take judicial notice of the underlying records in a bankruptcy
10 case. *O'Rourke v. Seaboard Surety Co., (In re ER Fergert, Inc.)*, 887 F.2d 955, 957-
11 958 (9th Cir. 1998).

12 **C. The Objection Should Be Granted**

13 The objection should be sustained and the Claim disallowed in its entirety
14 because DHCS has not specified any amount of alleged overpayments due to DHCS
15 on account of any SRPOHS payments received by the District, and as part of the
16 District's ordinary course of operations, it would have been the District's practice to
17 provide the information required under the Supplemental Reimbursement for Public
18 Outpatient Hospital Services program for the fiscal years from 2002-2003 through the
19 date that the District filed its chapter 9 petition on September 30, 2017. Declaration of
20 Daniel Heckathorne at ¶ 3.

21 **RESERVATION OF RIGHTS**

22 The District has not attempted to raise in this Objection each defense,
23 counterclaim, or setoff that may apply to the Claim. If a response to this Objection is
24 received, the District reserves the right to amend and supplement this Objection, or file
25 additional objections to assert any defenses, counterclaims, and/or setoffs against the
26 Claim. In all instances, the District reserves the right to file future objections or motions
27 or to supplement this Objection as to the validity, amount, or status of the Claim upon
28 different grounds than set forth herein or otherwise.

1 **CONCLUSION**

2 For the foregoing reasons, the District respectfully requests that the Court enter
3 an order granting the Objection and disallowing the Claim in its entirety.

4 Dated: July 1, 2019

WANGER JONES HELSLEY, PC

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7 By:



Riley C. Walter

Attorneys for Debtor Tulare Local Healthcare
District dba Tulare Regional Medical Center